



MONITOR: MARKETS

KEY POINTS FOR THE DAY

Monday 19 October 2020

OVERNIGHT

Most equity markets have made a positive start to the week across the Asia Pacific, buoyed by optimism around the prospect of further US stimulus. This follows lengthy discussions over the weekend between House Speaker Pelosi and Treasury Secretary Mnuchin, which have increased expectations that a stimulus package will be forthcoming in one form or another, irrespective of who wins the Presidential election. Meanwhile, equities in China have slipped following the weaker-than-expected Q3 GDP report. The economy expanded by 2.7%q/q, disappointing market expectations for a 3.3% rise. However, monthly outturns for September industrial production and retail sales beat expectations pointing to the economy ending the quarter with much firmer-than-expected momentum.

THE DAY AHEAD

Outside of China, the growth outlook remains highly uncertain, with the past week seeing sharp increases in the number of Covid-19 cases. Record numbers have been posted in some European countries and the numbers seem to be on the rise again in the US, with some Midwest states reporting surges. In response, a number of European countries have introduced further restrictions including a

nine-city curfew in France. In the UK, Northern Ireland has entered a 2-week 'circuit break' from last Friday, which includes closure of schools and hospitality venues. In England, a 3-tier regional system of controls has been introduced with London, Essex and York, among others, being added to Tier 2 and Lancashire to Tier 3. However, Greater Manchester has resisted being raised to the highest Covid-19 alert level, Tier 3.

The media is reporting the likelihood of further measures in the coming week. UK PM Johnson is under pressure to impose a 'circuit break' lockdown in England, or at least to move more regions to Tier 3. Ministers will be mulling over the potential economic repercussions of such a decision, balanced against the impact of a further significant rise in cases. This comes at a particularly difficult time, as there are signs that the post-lockdown economic rebound is fading.

For today, aside from the US NAHB housebuilders survey, there are no major data releases due. Therefore, the market focus will remain squarely on Covid-19 and the prospect of further policy measures being announced. The day is peppered with a number of central bank speakers, of which the most notable are ECB President Christine Lagarde and US Fed Chairman Jerome Powell. Closer to home, Bank of England rate setters, Sir Jon Cunliffe and Ben Broadbent are due to speak. However, neither are likely to focus too heavily on the economic outlook, given that one is talking about cross border payments and the other about the production and distribution of cash.

Table: Market Data

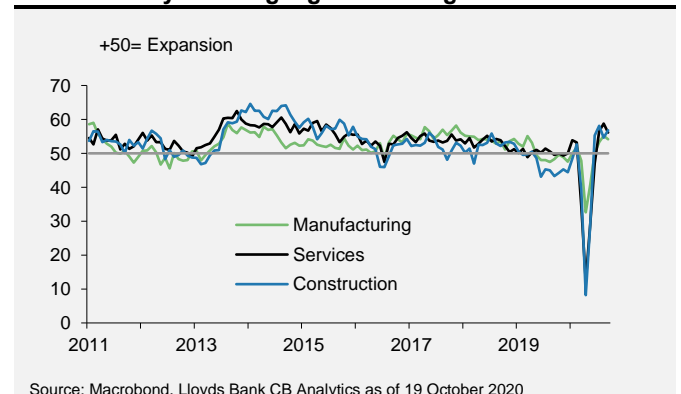
CURRENCIES		Daily change (%)
€/£	1.171	-0.07
£/\$	1.294	0.18
£/€	1.105	0.24
£/¥	136.37	0.18
£/SFr	1.185	0.26
£/A\$	1.825	0.02
£/C\$	1.706	0.12
EQUITIES		Daily change (%)
FTSE All-Share	3325.7	1.18
S&P 500	3483.8	0.01
Nikkei 225	23671.1	1.11
INTEREST RATES (%)		Daily change (bps)
UK Bank rate	0.10	0.0
3m interbank rate	0.05	0.0
5yr swap rate	0.18	0.2
10yr gilt yield	0.18	0.2
US Fed funds target rate	0.25	0.0
10yr treasury yield	0.76	1.0
ECB refi rate	0.00	0.0
German 10yr bund yield	-0.62	-0.1
COMMODITIES (US\$)		Daily change (%)
Oil, Brent benchmark	42.8	-0.26
Gold spot	1910.5	0.59

Source: Bloomberg data as of 19 October 2020

MARKETS

The pound has seemingly shrugged off Moody's decision to downgrade the UK's sovereign rating late on Friday, with GBP/USD moving back above 1.29 having briefly dropped below in early Asian trading. In part, sterling has also been supported by reports suggesting that the UK will compromise and back down on elements of the Internal Market bill in order to get a deal with the EU over the line.

UK's recovery showing signs of fading momentum



Calendar – key data and events today

CTRY	TIME	RELEASE/EVENT	PERIOD	CONSENSUS	FORECAST	PREVIOUS
EZ	08:15	ECB's Guindos Speaks at Expansion Event				
EZ	10:00	Construction Output	Aug	--	--	0.2% (-3.8%)
EZ	12:30	ECB's Mersch Gives Speech				
US	13:00	Fed's Powell Takes Part in IMF Panel on Cross-Border Payments				
EZ	13:30	ECB President Lagarde Speaks				
EZ	13:40	ECB's Lane Gives Welcome Remarks				
UK	13:45	BoE's Deputy Governor Broadbent Speaks on cash				
US	15:00	NAHB Housing Market Index	Oct	83	83	83
UK	15:05	BoE's Cunliffe Speaks at Fintech Event				
UK	16:00	Fed's Quarles Discusses Financial Stability Board Agenda				
UK	16:00	BoE's Cunliffe Speaks at IMF Events on Cross-Border Payments				
US	16:45	Fed's Clarida Gives Speech on Economic Outlook				
US	19:20	Fed's Bostic Discusses Economic Diversity and Inclusion				
US	20:00	Fed's Harker Discusses Covid-19 Recovery				

Source: Bloomberg data, Lloyds Bank Commercial Banking analytics as of 19 October 2020
Data in brackets denote YoY unless stated otherwise
Times are UK local.

CONTACT DETAILS

Nikesh Sawjani
T: 020 7158 1749
E: nikesh.sawjani@lloydsbanking.com

DISCLAIMER

This document is confidential, for your information only and must not be distributed, in whole or in part, to any person without the prior consent of this document is confidential, for your information only and must not be distributed, in whole or in part, to any person without the prior consent of Lloyds Bank Corporate Markets plc ("Lloyds Bank"). This document has been prepared for information purposes only.

This document has been prepared by Lloyds Bank Commercial Banking, Economics and Market Insight. The author's views should not be taken as necessarily being those of the wider Lloyds Banking Group plc, nor considered objective or unbiased. The author of this document may know the nature of Lloyds Bank's trading positions or strategies in anticipation of this document. Any views, opinions or forecast expressed in this document represent the views or opinions of the author and are not intended to be, and should not be viewed as advice or a personal recommendation.

This document is not independent from Lloyds Bank's proprietary interests, which may conflict with your interests. Lloyds Bank may trade as principal, may have proprietary positions, and/or may make markets in any instruments (or related derivatives) discussed in this document. Trading personnel may be indirectly compensated in part based on the size and volume of their transactions, but the outcome of any transaction that may result from this document will not have a direct bearing on the compensation of any trading personnel. Lloyds Bank may engage in transactions in a manner inconsistent with the views expressed in this document and Lloyds Bank's salespeople, traders and other professionals' may provide oral or written market commentary or strategies to clients, which may conflict with the opinions expressed in this document.

We make no representation and give no advice in respect of legal, regulatory, tax or accounting matters in any applicable jurisdiction. You should make your own independent evaluation, based on your own knowledge and experience and any professional advice which you may have sought, on the applicability and relevance of the information contained in this document.

The material contained in this document has been prepared on the basis of publicly available information believed to be reliable and whilst Lloyds Bank has exercised reasonable care in its preparation, no representation or warranty, as to the accuracy, reliability or completeness of the information, express or implied, is given. This document is current at the date of publication and the content is subject to change without notice. We do not accept any obligation to any recipient to update or correct this information. This document is not directed toward, nor does it constitute an offer or solicitation to, anyone in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. Lloyds Bank, its directors, officers and employees are not responsible and accept no liability for the impact of any decisions made based upon the information, views, forecasts or opinion expressed.

Lloyds Banking Group plc and its subsidiaries may participate in benchmarks in any one or more of the following capacities; as administrator, submitter or user. Benchmarks may be referenced by Lloyds Banking Group plc for internal purposes or used to reference products, services or transactions which we provide or carry out with you. More information about Lloyds Banking Group plc's participation in benchmarks is set out in the Benchmark Transparency Statement which is available on our website.

Lloyds Bank is a trading name of Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc, which are subsidiaries of Lloyds Banking Group plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Lloyds Bank Corporate Markets plc. Registered office 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 10399850. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278, 169628 and 763256 respectively.